ANNUAL REPORT

DYLEX 72

HIGHLIGHTS (Thousands of Dollars)

	1972	1971
Operating Summary		
Sales—Net	$108,103	$90,930
Earnings Before Depreciation and Interest	7,186	3,477
Earnings Before Extraordinary Items	2,555	606
Net Earnings	2,655	908
Per Share Results		
Earnings Before Depreciation and Interest	$2.48	$1.20
Earnings Before Extraordinary Items	$0.88	$0.21
Net Earnings	$0.92	$0.31
Financial Position		
Working Capital	$11,432	$ 9,859
Long Term Debt	6,636	8,876
Shareholders' Equity	33,761	31,130
Current Ratio	1.69:1	1.56:1
Shareholders' Equity: Debt Ratio	5.09:1	3.51:1

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Your directors are pleased to report on the operations and financial position of your company for the fiscal year ended January 29, 1972.

Profit per share from operations increased to 88 cents from 21 cents the previous year. Net profit from operations rose to $2,555,000 from $606,000 a year earlier. Results from both years exclude extraordinary net gains of $100,000 or 4 cents per share in 1972 and $302,000 or 10 cents a share the previous year.

During the year, Ackron Plastics and Kurly Kate were sold. The profit from these transactions, in excess of the full recovery of goodwill, resulted in the extraordinary item in the consolidated statement of earnings.

Consolidated sales climbed to $108,103,000 from $90,930,000 the previous year. Sales of the retailing group increased by 22 percent, accounting for $11,848,000 of the overall increase. After a $2,000,000 reduction in long term debt, working capital increased during the year by $1,573,000 to $11,432,000.

TO OUR SHAREHOLDERS

The increased earnings are a result of an improvement in economic conditions and increased consumer spending, coupled with higher margins and management efficiencies stemming from the streamlining of our retail operations.

Management's efforts have continued to focus on the Retail Group as the basis of further nationwide expansion.

During the year in review, 11 new stores were opened in Quebec, Ontario, Alberta and British Columbia, and three were closed, resulting in the net addition of 60,000 square feet of selling space. The new locations are consistent with Dylex policy of participating in major regional shopping centre and commercial developments across Canada. Leases have been signed or negotiations are underway involving some 16 locations in the current year.

The past year was the first in which the company benefited fully from the restructuring of its retail operations and future emphasis will be on steady retail expansion. Each chain specializes in serving a distinct market through individual merchandising programs. At the same time, service functions common to all divisions are performed centrally to retain efficiencies of scale and facilitate the development and exchange of ideas and techniques between division managements.

A similar approach extends to our Fashion Manufacturing Group, whose products are designed and priced for many of the same markets defined by the retail chains. Continuing exchange of information between the Retail and Fashion Manufacturing Groups takes advantage of the manufacturer's market forecasting and the retailer's direct and constant customer involvement.

As our divisional general managers bear the major responsibility for sales and profit performance a profit participation plan has been developed. This plan is exclusive to division managers—no directors participate. Bonuses are calculated on the basis of profits earned in excess of the divisions' budgeted goals. The success of the past year can be attributed in some significant measure to the plan, through which several general managers received bonuses for the first time.

In keeping with the consolidation of the company's operations, and its emphasis on retailing, your management intends to place before the annual meeting of shareholders a resolution changing the name of the company to Dylex Limited.

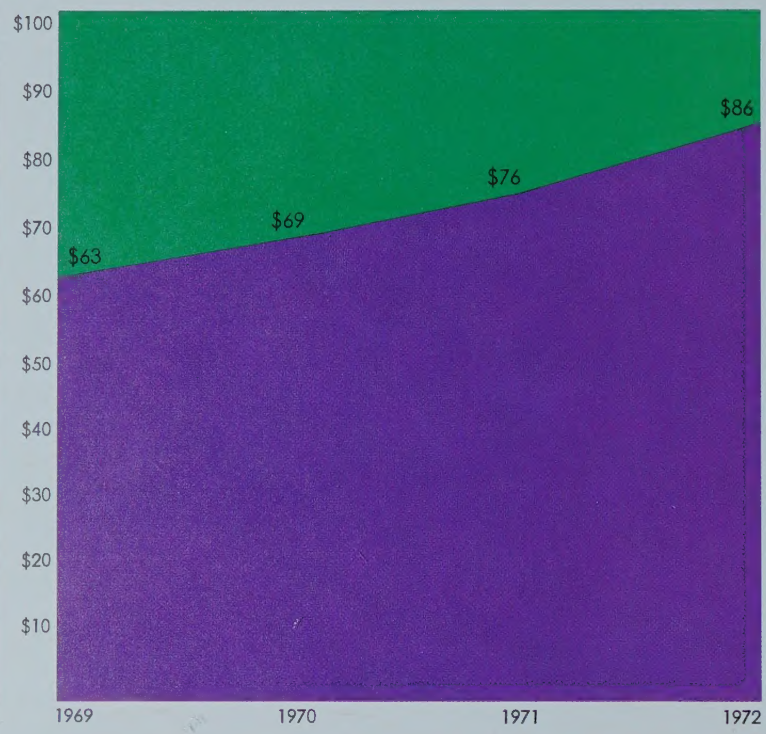
Appreciation

Our success is dependent upon the skill and dedication of our employees. Indeed, the most important factor ensuring future growth and profitability is our ability to attract and develop a staff of capable, committed people.

On behalf of the board of directors, I would like to express to our employees our appreciation of their efforts and achievements during this very successful year.

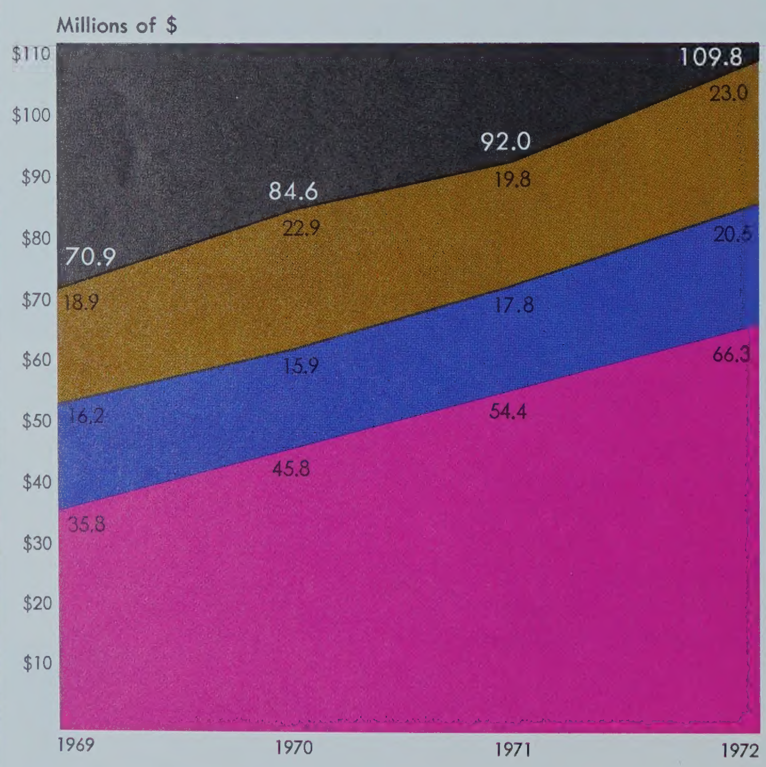
J. F. Kay
President

Toronto
April 24, 1972



Sales Per Square Foot

(based on average square footage in use during the year)



Group Sales

(before eliminating inter-group sales, and including sales of businesses for periods prior to acquisition)

Modern Home Products Group

Fashion Manufacturing Group

Retail Group

DYLEX TODAY

Retailing will continue to be the company's dominant activity. The retail chains — Fairweather, Tip Top, Harry Rosen, Family Fair— serve distinct markets. Concentration on serving these markets has resulted in a steady increase in sales efficiency as measured by average sales per square foot.

WOMEN'S WEAR

The theme of the Fairweather Division is to provide fashion, quality and good taste at popular prices in an exciting environment. Through its Fairweather and Braemar stores, the division serves style-conscious women in the middle income group with contemporary looks in sportswear, dresses, coats and bridal ensembles. Its Big Steel departments offer avant garde fashions to young men and women.

The division's 33 stores in seven provinces reflect a consistent approach to its market. The most important element is a merchandise policy which calls for each department to make a seasonal commitment to a co-ordinated fashion look. A necessary complement to this approach is a rigorous system of inventory planning and control.

In the past year, Fairweather made progress in reducing costs and improving inventory turnover to more than five times. Sales efficiency increased by 19 percent, resulting in average sales per square foot of more than $90.

A new Fairweather store was opened in Calgary and Big Steel has been expanded by opening free-standing stores in Toronto and Quebec City. Results have been encouraging and the addition of further exclusive Big Steel Stores is under consideration.

Preparation has begun for nationwide expansion over the next five years with four new stores planned for the coming year. To back up this growth, the division is strengthening its training program for buyers and managers recruited from universities.

MEN'S WEAR

Dylex offers a comprehensive selection of well-made clothing in the total men's wear market. The division has four interrelated components—Tip Top stores, Tip Top budget stores, Canadian Clothiers and Harry Rosen stores.

Tip Top's 46 stores sell medium-priced fashions to men seeking a contemporary look without sacrificing durability in either construction or style. Continued improvement of buying, inventory management and sales analysis techniques has resulted in a more profitable merchandise mix and a 36 percent improvement in inventory turnover in the past year.

Tip Top budget stores serve the price conscious through a distinct merchandising approach emphasizing value before fashion. In the past 18 months, 18 Tip Top locations averaging 3,700 square feet have been converted to the budget store concept with encouraging results.

During the past year, attention was focused on operating improvements and increased sales efficiency. Sales per square foot averaging more than $100 were realized by the combined Tip Top operation. Four new stores were opened—in Vancouver, Calgary, London and Oshawa.

Planning for a major expansion of the budget stores is underway, with 3 sites presently under con-

sideration. Tip Top will continue to take advantage of selected prime locations across the country. Four openings are planned for 1972.

Canadian Clothiers, the manufacturing arm of Tip Top, sells over 80 percent of its production of men's suits and sport coats to the chain. Integration with the retail arm gives Canadian Clothiers the advantage of long and economic production runs, as well as the benefit of close market contact. Styling is a joint effort between Tip Top and Canadian Clothiers. Through refinements in garment construction technique, a product with distinct advantages in quality and fit has been developed. In the coming year, production capacity will be increased from the present 4,000 units per week to 5,000 units per week.

Harry Rosen Men's Wear, a four-store Toronto chain highly regarded for style and quality in men's clothing, shares senior management with Tip Top. Continuing emphasis is placed on increasing sales efficiency and extending the Harry Rosen reputation for leadership in fashion and service.

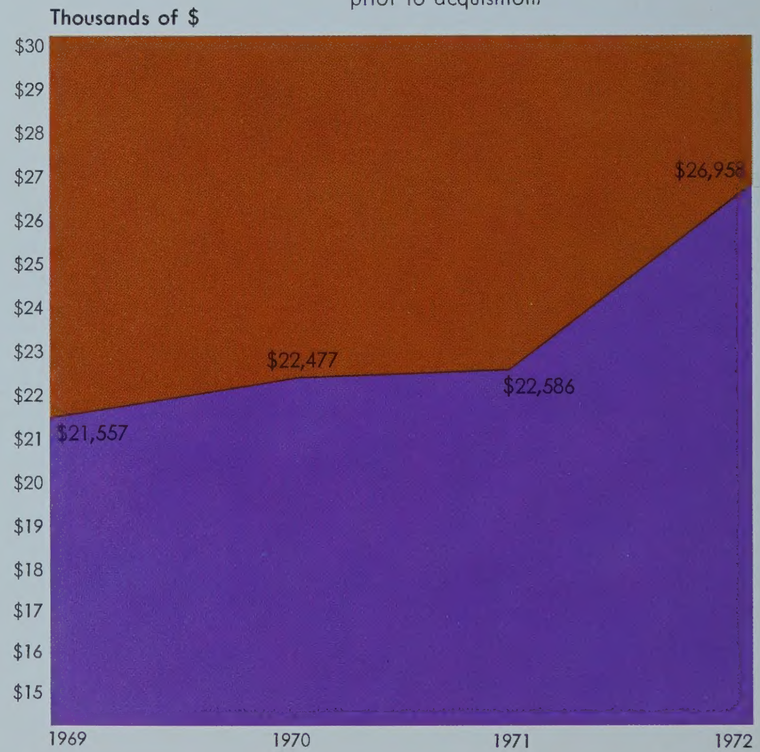
FAMILY FAIR

Family Fair merchandises clothing to the budget-conscious family on a self-service basis. The chain, presently consisting of 16 stores averaging 14,000 square feet, sells good quality, full-line merchandise at consistently low prices. Current fashions in men's, women's, teens' and children's clothing are all carried. Quality, cost control and inventory management are critical to Family Fair's profitability as a high volume merchandiser. Emphasis on inventory turnover has resulted in nearly six turns a year.

Family Fair intends to open five new locations in Ontario in the next year, as part of a five-year expansion program. To service this growth, the division will move to a larger Toronto warehouse and install automated equipment to reduce handling costs. A colorful, inexpensive decorating scheme will be used in all the new stores.

Sales Per Employee

(information for 1969 and 1970 includes data from businesses for periods prior to acquisition)



TOWN & COUNTRY

Dylex holds a 50 percent interest in Town & Country stores, a chain of 25 ladies' wear stores in Toronto and central Ontario. Town & Country emphasizes fashion sportswear for younger women in the medium income group.

With stores averaging 2,500 square feet, Town & Country provides an intimate approach keyed to customer service and based on carefully selected and rigidly controlled inventory. In the past year, a uniform decor was introduced and applied to all stores, and the chain's central warehouse was expanded and modernized.

Four new stores are planned in the coming year, part of an expansion program in central and southwestern Ontario.

FASHION MANUFACTURING

Although retailing is our major business, the apparel manufacturing divisions are an important phase of the company's operations. The divisions in the Fashion Manufacturing Group make lines of clothing for women, girls and children, generally in the medium price range. The Irving Posluns label on ladies' coats and sportswear is well regarded in the Canadian fashion market. Nu-Mode emphasizes current fashion looks in women's dresses while Manchester and Junior-Deb produce children's and girls' coats. National Knitting is well known for its "Heidi" and "Spartacus" lines of girls' and boys' knits.

Last year National Knitting began production of knitted women's wear. Results have been very encouraging and the line will be extended in 1972.

In 1972 our children's wear divisions, Manchester and Junior Deb, will be increasing combined production capacity from the present 5,500 units a week to 7,000 units a week.

With continued economic improvement forecast for the next year, group profits are expected to maintain an upward trend. Exports to the United States have been growing steadily in past years and are expected to continue to increase.

MODERN HOME PRODUCTS

The Home Products divisions manufacture in three markets. Troister, Emanuel Products and Singer Lighting are engaged in the home furnishings industry, manufacturing upholstered furniture, case goods and cabinetry, and lighting respectively. Cadillac Building Products makes prefabricated housing assemblies. Plasti-Pak manufactures rigid plastic packaging for the food industry.

The group, affected by depressed economic conditions in 1970, began recovering in the past year and the outlook is promising. Increased spending for consumer durables is forecast for 1972 and housing starts are expected to continue the increase experienced in 1971.

CONSOLIDATED STATEMENT OF EARNINGS

	January 29, 1972	January 30, 1971
	(thousands of dollars)	
Net sales	$108,103	$90,930
Earnings from operations before the following charges	7,411	3,635
Depreciation (note 12)	1,310	1,128
Amortization of deferred charges	225	158
Interest on long-term debt	416	480
Other interest	586	889
	2,537	2,655
	4,874	980
Income taxes	2,473	509
	2,401	471
Income from investments (notes 1 and 11)	154	135
Earnings before extraordinary items	2,555	606
Extraordinary items (note 13)	100	302
Net earnings	$ 2,655	$ 908
Earnings per share (note 14)		
—Before extraordinary items	$0.88	$0.21
—For the year	$0.92	$0.31

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	January 29, 1972	January 30, 1971
	(thousands of dollars)	
Balance at beginning of year		
As previously reported	$ 6,735	$ 5,855
Prior years' adjustments (note 11)	(219)	(245)
As restated	6,516	5,610
Net earnings	2,655	908
Transfer from appraisal excess (note 4)	22	22
	9,193	6,540
Dividends—class "A" preference shares	24	24
Balance at end of year	$ 9,169	$ 6,516

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	January 29, 1972	January 30, 1971
	(thousands of dollars)	
Source of Funds		
Net earnings	$ 2,655	$ 908
Depreciation and amortization	1,535	1,286
Deferred income taxes	554	(125)
Income from investments	(154)	(135)
Funds from operations	4,590	1,934
Disposal of fixed assets	449	927
Disposal of goodwill	434	(113)
Increase in long-term debt	181	2,268
Issue of capital stock	—	112
Change in investments	24	(51)
	5,678	5,077
Application of Funds		
Fixed assets	1,444	4,057
Reduction of long-term debt	2,385	760
Dividends	24	24
Additions to deferred charges	252	137
	4,105	4,978
Increase in working capital	1,573	99
Working capital at beginning of year (restated)	9,859	9,760
Working capital at end of year (restated)	$ 11,432	$ 9,859

AUDITORS' REPORT

To the Shareholders of Dylex Diversified Limited

We have examined the consolidated balance sheet of Dylex Diversified Limited as at January 29, 1972 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Dylex Diversified Limited, and those subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 29, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 29, 1972

WM. EISENBERG & CO.
Chartered Accountants

CONSOLIDATED BALANCE SHEET

ASSETS

	January 29, 1972	January 30, 1971
	(thousands of dollars)	
Current		
Cash and short term deposits	$ 105	$ 341
Accounts receivable	9,364	8,195
Inventories (note 2)	18,258	18,452
Prepaid expenses	368	442
	28,095	27,430
Investments		
Investment in non-consolidated subsidiary (notes 1 and 11)	239	147
Other investments	700	663
Advances—key employee stock plan (note 3)	1,202	1,238
	2,141	2,048
Fixed		
Land (note 4)	1,429	1,429
Buildings (note 4)	4,681	4,603
Equipment and leasehold improvements—at cost	15,176	14,665
	21,286	20,697
Less: Accumulated depreciation	8,450	7,546
	12,836	13,151
Other		
Goodwill (note 5)	14,318	14,751
Deferred charges at cost less amortization	146	119
	14,464	14,870
	$ 57,536	$57,499

The accompanying notes are an integral part of the financial statements.

LIABILITIES

	January 29, 1972	January 30, 1971
	(thousands of dollars)	
Current		
Bank indebtedness (note 6)	$ 2,235	$ 4,311
Banker's acceptances	1,000	3,000
Accounts payable and accrued liabilities	9,420	8,693
Long-term debt due within one year (note 7)	1,242	256
Income and other taxes payable	2,363	1,396
Advances from non-consolidated subsidiary (note 1)	403	(85)
	16,663	17,571
Long-Term		
Notes and mortgages payable (note 7)	3,934	6,138
Convertible debenture payable (note 8)	1,500	1,500
Bank loan—key employee stock plan (note 3)	1,202	1,238
	6,636	8,876
Deferred Income Taxes (note 9)	476	(78)

SHAREHOLDERS' EQUITY

	January 29, 1972	January 30, 1971
Capital Stock		
Authorized		
3,000,000 common shares without par value		
10,000,000 class "A" participating preference shares without par value		
1,000 class "B" non-participating preference shares without par value		
Issued and fully paid (note 10)		
454,760 common shares (1971—463,210)	1,913	1,949
2,438,023 class "A" shares (1971—2,429,573)	20,890	20,854
Excess of appraised value of fixed assets over cost (note 4)	1,789	1,811
Retained earnings	9,169	6,516
	33,761	31,130
	$ 57,536	$57,499

APPROVED ON BEHALF OF THE BOARD
J. F. KAY, Director
W. POSLUNS, Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS as at January 29, 1972

1. Principles of Consolidation

The consolidated financial statements include the accounts of the following wholly-owned subsidiaries:

Ackripak Limited
Bradford Spinners Limited
Drug World Limited
Dylex Holdings Limited
Emanuel Products Limited
Fashion Council Limited
Hareve Leasehold Investments Limited
Harry Rosen Men's Wear Limited
MacSam Investments Limited
Manchester Children's Wear Co.
National Knitting Mills Company Limited
Roti Wood Products (Fergus) Limited
Sobel, Newman & Kutner Limited
The Family Fair Stores Limited
The Young Canadian Clothiers Limited
Troister & Company Limited

The consolidated financial statements do not include the accounts of Dylex Acceptance Corporation Limited, a wholly-owned finance company, which is not consolidated because of the different nature of its business. The investments in this subsidiary and in associate companies, principally Brody's Town & Country (1967) Limited, are carried on the consolidated balance sheet at cost plus the Company's share of undistributed net earnings since acquisition. Changes in wholly-owned subsidiaries during the year represent corporate amalgamations and restructuring.

2. Inventories

The inventories are valued at the lower of cost and net realizable value except for retail lines not manufactured by the Company which are valued at the lower of cost and net realizable value, less normal profit margins.

3. Key Employee Stock Plan

75,000 common shares and 325,000 class "A" participating preference shares have been allocated to the Trustees of the Company's key employee stock plan to be issued at a price not exceeding a 15% discount from market at the time of allotment. As at January 29, 1972, 75,000 common shares and 249,283 class "A" participating preference shares have been issued. To facilitate the purchase of these shares by key employees, the Company has borrowed from its bankers $1,202,000 as at January 29, 1972, to be repaid over a period not exceeding ten years.

4. Property Appraisal

On December 29, 1967, the property at 637 Lakeshore Boulevard West, Toronto, was appraised by W. H. Bosley & Co. Ltd. at a value of $2,750,000. As a result of this appraisal, the value of this property has been increased, resulting in an excess of appraised value over depreciated cost of $1,889,000. The appraisal excess applicable to the building is being transferred to Retained Earnings in amounts equal to the realization of appreciation through depreciation provisions ($22,000 annually).

5. Goodwill

Goodwill includes the following items:	1972	1971
Goodwill paid on acquisition of businesses	$ 4,368,000	$ 4,566,000
Excess of cost of subsidiaries over the net assets at acquisition	9,950,000	10,185,000
	$14,318,000	$14,751,000

The decrease in goodwill primarily represents the disposal of a portion of the plastics division.

6. Bank Indebtedness

This amount is secured by a general assignment of book debts and inventories.

7. Long-term Liabilities

	1972	1971
Notes Payable		
8% promissory notes, secured by a mortgage, due March 1, 1979	$ 673,000	$ 701,000
7% subordinated promissory notes, due February 15, 1972	1,060,000	1,060,000
Bank loan	—	1,000,000
Other	659,000	858,000
	$ 2,392,000	$ 3,619,000
Mortgages Payable		
9¼% first mortgage, final payment due October 15, 1973	$ 1,726,000	$ 1,768,000
First mortgage, interest at prime bank rate, plus ½%, due February 14, 1974	855,000	855,000
Other	203,000	152,000
	$ 2,784,000	$ 2,775,000
Total Long-Term Liabilities	$ 5,176,000	$ 6,394,000
Less: Due within one year	1,242,000	256,000
	$ 3,934,000	$ 6,138,000

8. Convertible Debentures Payable

These debentures are non-interest bearing and due July 2, 1974, and secured by a pledge of all the issued and outstanding shares of National Knitting Mills Company Limited and Bradford Spinners Limited. These debentures are convertible, at the option of the holders, into 50,000 class "A" preference shares prior to maturity.

9. Deferred Income Taxes

	1972	1971
Income taxes provided in respect of timing differences between accounting and taxable income	$ 671,000	$ 443,000
Less: Income tax reductions which are expected to be realized in future years by carrying forward losses of a subsidiary. These income tax benefits are contingent upon earning future profits. In the view of management, it is virtually certain that these reductions will be realized and the reduction of future taxes has been recorded in the period when the loss was incurred	195,000	521,000
	$ 476,000	($ 78,000)

10. Capital Stock

Common shares are convertible into class "A" preference shares on a one for one basis. During the year 8,450 shares at a value of $36,000 were transferred from common to class "A".

11. Prior Years' Adjustments

	1972	1971
Income tax re-assessments for 1967-1970 (which the Company has appealed)	$ 259,000	$ 259,000
Retroactive changes in reporting income of wholly-owned finance subsidiary to the sum of the digits method	(40,000)	(14,000)
	$ 219,000	$ 245,000

12. Depreciation

Depreciation is calculated, using the straight line method on the following basis:

Buildings	2½%
Equipment and leasehold improvements	10%
Automotive	25%

13. Extraordinary Items

	1972	1971
Gain on disposal of fixed assets	$ —	$ 367,000
Loss on winding up a division of $140,000 net of income tax of $75,000	—	(65,000)
Gain on sale of interests in plastics division of $133,000 net of income tax of $33,000	100,000	—
	$ 100,000	$ 302,000

14. Earnings per Share

The dilution of earnings per share, assuming the conversion of the convertible debentures (note 8) would be 1¢ in 1972.

15. Segment Sales

Sales for each of the major segments of the Company were as follows:

	1972	1971
Retail	$66,253,000	$54,405,000
Fashion manufacturing	18,899,000	16,758,000
Modern home products	22,951,000	19,767,000
	$108,103,000	$90,930,000

16. Remuneration of Directors and Senior Officers

The following statutory information is outlined in compliance with The Canada Corporations Act and The Ontario Securities Act.

	Number			Remuneration	
	Directors	Senior Officers	Directors also Officers	Directors	Senior Officers
Dylex Diversified Limited	11	12	5	Nil	$548,000

17. Lease Commitments

The Company has entered into agreements to lease equipment and properties for various periods up to 1996. The aggregate minimum rentals, exclusive of additional amounts based on percentage of sales and occupancy charges, are as follows:

Payable	Amount
Year end February 3, 1973	$ 4,333,000
The next 4 years	15,362,000
After January 29, 1977	23,272,000
	$42,967,000

18. Contingent Liabilities

The Company is contingently liable for:

Guarantee of finance subsidiary's loans and lease obligations	$ 6,512,000
Guarantee of associated company's bank loans	115,000
Legal action—in the opinion of the Company, these claims are without merit	240,000
	$ 6,867,000

CONSOLIDATED EARNINGS BY GROUP (Unaudited—thousands of dollars)

	January 29, 1972				January 30, 1971			
	Retail	Fashion Mfg.	Modern Home Products	Total	Retail	Fashion Mfg.	Modern Home Products	Total
Sales—Net	66,253	20,481	23,003	109,737	54,405	17,803	19,767	91,975
Less: Inter-Group	—	1,582	52	1,634	—	1,045	—	1,045
	66,253	18,899	22,951	108,103	54,405	16,758	19,767	90,930
Earnings from Operations Before Depreciation and Interest	4,687	1,320	1,179	7,186	1,612	708	1,172	3,492
Depreciation	777	125	408	1,310	675	109	344	1,128
Interest	488	203	311	1,002	672	282	415	1,369
Inter Group Eliminations	—	—	—	—	—	15	—	15
Earnings Before Taxes & Extraordinary Items	3,422	992	460	4,874	265	302	413	980

CONSOLIDATED BALANCE SHEET DATA BY GROUP (Unaudited—thousands of dollars)

	January 29, 1972					January 30, 1971				
	Retail	Fashion Mfg.	Modern Home Products	Corporate	Total	Retail	Fashion Mfg.	Modern Home Products	Corporate	Total
Receivables	1,107	2,908	4,718	631	9,364	903	2,580	4,157	555	8,195
Inventory	10,741	3,672	3,768	77	18,258	10,844	3,921	3,606	81	18,452
Fixed Assets (Net)	5,433	607	2,499	4,297	12,836	5,284	634	2,738	4,495	13,151
	17,281	7,187	10,985	5,005	40,458	17,031	7,135	10,501	5,131	39,798

Notes: 1. Earnings for each group include a charge for unallocated corporate expenses distributed on the basis of group sales.
2. Interest has been allocated to each group on the basis of assets in use by the group.
3. Retail group includes Canadian Clothiers, a manufacturer, whose output is primarily distributed through the Tip Top retail division.

DYLEX RETAIL STORE LOCATIONS

Province & City	Tip Top	Fairweather	Family Fair	Harry Rosen
British Columbia				
Vancouver	5			
Victoria	2			
	7			
Alberta				
Calgary	4	1		
Edmonton	4	1		
Lethbridge	1			
	9	2		
Saskatchewan				
Regina	1			
Saskatoon	1	1		
	2	1		
Manitoba				
Winnipeg	4	1		
	4	1		
Ontario				
Belleville			1	
Burlington	1	2	1	
Hamilton	1		1	
Kingston	1	1	1	
Kitchener/Waterloo	2	1	1	
London	1	1		
Oshawa	1	1		
Ottawa	5	3		
Peterborough			1	
St. Catharines	1	2		
Sarnia			1	
Sault Ste. Marie			1	
Sudbury		1		
Thunder Bay			1	
Toronto (Metro)	12	10	6	4
Welland			1	
Windsor	1	1		
	26	23	16	4
Quebec				
Montreal (Metro)	6	1		
Quebec City	2	3		
Chicoutimi	1			
	9	4		
New Brunswick				
St. John	1			
Moncton	1	1		
	2	1		
Nova Scotia				
Halifax	4	1		
	4	1		
Newfoundland				
St. John's	1			
	1			
	64	33	16	4

Total: 117

STATISTICAL REVIEW (1)

(In thousands of dollars)	1972	1971	1970	1969
Operations				
Sales				
Retail: Women's	**24,918**	18,387	16,337	14,203
Men's	**28,450**	24,432	21,021	16,905
Family	**12,885**	11,586	8,390	4,727
Fashion Manufacturing	**20,481**	17,803	15,927	16,155
Modern Home Products	**23,003**	19,767	22,926	18,920
Less: Inter-Group	**(1,634)**	(1,045)	(783)	(289)
	108,103	90,930	83,818	70,621
Earnings from Operations before depreciation and interest	**7,186**	3,477	4,123	4,577
Earnings before Extraordinary Items	**2,555**	606	1,256	1,486
Extraordinary Items (2)	**100**	302	107	719
Net Earnings	**2,655**	908	1,363	2,205
Per Share Results (3)				
Earnings before Extraordinary Items	**$ 0.88**	$ 0.21	$ 0.44	$ 0.59
Net Earnings (2)	**$ 0.92**	$ 0.31	$ 0.48	$ 0.88
Book Value per Share	**$11.67**	$10.76	$10.50	$10.06
Average Shares Outstanding	**2,893,000**	2,887,000	2,847,000	2,500,000
Financial Position				
Working Capital	**11,432**	9,859	9,770	12,151
Fixed Assets (Net)	**12,836**	13,151	11,172	7,866
Shareholders' Equity	**33,761**	31,130	30,134	28,643
Retail Statistics				
Number of Stores	**117**	109	116	109
Store Space at year end (square feet)	**760,000**	700,000	626,000	575,000
Sales per square foot (4)				
Women's	**$ 93**	$ 78	$ 64	$ 50
Men's	**$106**	$ 96	$ 87	$ 78
Family	**$ 55**	$ 50	$ 48	$ 74
Total Group	**$ 86**	$ 76	$ 69	$ 63
Stock Turns	**3.8**	2.8	2.5	2.2
Number of Shareholders	**2,680**	2,337	2,169	775

(1) For the years ended Saturday closest to January 31 of each year. 1970 and 1969 results have been restated to include sales and earnings of businesses for periods prior to acquisition.

(2) Application of prior years' losses carried forward resulted in tax reductions which made up the extraordinary items in 1969 and 1970. Net earnings include the effect of these extraordinary items.

(3) Earnings per share are computed on the weighted average of common and class "A" shares outstanding during the year and adjusted for the subdivision of shares in 1968. To reflect the subsequent restatement, shares issued for businesses acquired in 1969 and 1970 are considered as having been issued in 1968.

(4) Based on average gross square footage in use during the year and excluding health and beauty aids now principally franchised and outside sales of Canadian Clothiers, a manufacturer whose operations are interdependent with the men's retail division.

Directors
L. H. Posluns
J. F. Kay
W. Posluns
I. Posluns
J. Posluns
S. F. Kay
D. Korn
L. Weinberg
A. H. Zaldin, Q.C.
H. J. Stitt
W. H. Singer

Executive Officers
L. H. Posluns, Chairman of the Board
J. F. Kay, President
I. Posluns, Executive Vice-President
J. Posluns, Executive Vice-President
W. Posluns, Secretary and Treasurer

Transfer Agent and Registrar
National Trust Company, Limited

Auditors
Wm. Eisenberg and Company, Chartered Accountants

Bankers
Bank of Montreal

Listed On
Toronto Stock Exchange

Head Office
637 Lakeshore Boulevard West,
Toronto, Canada.

DYLEX

INTERIM REPORT

six months ended
July 29, 1972

DYLEX LIMITED
637 LAKESHORE BOULEVARD WEST
TORONTO, ONTARIO

DYLEX LIMITED

Report to Shareholders

Consolidated net sales of $55,462,000 for the six months ended July 29, 1972 represent an 18% increase over the same period last year. Earnings before extraordinary item rose 85% to $1,235,000 or 43 cents per share versus 23 cents per share last year. In addition, the company realized an extraordinary net gain of $180,000 or 6 cents per share through the sale and lease-back of a portion of its Carlaw Street property in Toronto.

Earnings from operations increased by $838,000 to 6% of sales from 5% last year. Interest declined by $170,000 or 32%.

Sales of each company segment — Retail, Fashion Manufacturing, Modern Home Products — increased, benefitting from continued strong consumer spending.

A Family Fair store was opened in the latest quarter, in Guelph, Ontario. Since July 29, Tip Top and Fairweather have each opened stores in Edmonton's Londonderry Mall and in the Lloyd D. Jackson Square development in Hamilton. An additional eight stores are scheduled to open in the next three months. The company presently has 120 stores across Canada.

With the additional stores scheduled for the next three months the sales trend is projected to increase, particularly in the final quarter. Earnings are expected to continue to improve over last year, but at a more moderate rate.

By Supplementary Letters Patent dated June 5, 1972 the name of the company has been changed to Dylex Limited.

The second quarterly dividend of 5 cents per share (common and class "A") has been declared, payable September 21, 1972 to shareholders of record on September 7, 1972.

August 29, 1972 James F. Kay, President

CONSOLIDATED STATEMENT OF EARNINGS
(Unaudited)

	For the Quarter Ended		For the Six Months Ended	
	July 29, 1972	July 31, 1971	**July 29, 1972**	July 31, 1971
	(Thousands of Dollars)			
Sales				
Retail	**$18,013**	$15,273	**$33,348**	$28,722
Fashion Manufacturing	**6,134**	4,912	**10,746**	8,970
Modern Home Products	**7,212**	6,149	**12,057**	9,998
Less: Inter-group	**(331)**	(317)	**(689)**	(590)
Net Sales	**31,028**	26,017	**55,462**	47,100
Earnings from operations	**1,947**	1,359	**3,272**	2,434
Depreciation	**338**	325	**668**	640
Interest on debt	**210**	265	**363**	533
Earnings before income taxes	**1,399**	769	**2,241**	1,261
Provision for income taxes	**681**	410	**1,089**	673
	718	359	**1,152**	588
Income from investments	**42**	32	**83**	80
Net earnings before extraordinary item	**760**	391	**1,235**	668
Extraordinary item	**180**	—	**180**	—
Net earnings for the period	**$ 940**	$ 391	**$ 1,415**	$ 668
Earnings per share				
before extraordinary item	**$ 0.26**	—	**$ 0.43**	—
for the period	**$ 0.32**	$ 0.13	**$ 0.49**	$ 0.23

CONSOLIDATED STATEMENT OF SOURCE & APPLICATION OF FUNDS
(Unaudited)

	For the Six Months Ended	
	July 29, 1972	July 31, 1971
	(Thousands of Dollars)	
SOURCE OF FUNDS		
Operations	**$ 1,920**	$ 1,382
Fixed asset disposals	**1,147**	11
	3,067	1,393
APPLICATION OF FUNDS		
Dividends	**145**	—
Investments	**218**	(30)
Fixed assets	**1,106**	775
Long term debt	**790**	74
Intangibles	—	57
	2,259	876
INCREASE IN WORKING CAPITAL	$ 808	$ 517